

City of Flagstaff

Honorable Mayor, City Council, and Citizens of Flagstaff:

The FY 04 Budget reflects economic reality. State shared revenue is less because state tax collections are down and the City's population is proportionately smaller to the rest of the state than it was in 1995. Local tax revenues are not growing rapidly enough to offset reduced state revenue and meet growing costs. In order for the City to maintain current service levels and provide quality-of-life expenditures demanded by our citizens, a stable and growing tax base is essential.

Our dedicated employees strive to maximize and optimize the services they provide to our citizens. Employees deserve nothing less than fair and competitive compensation for their dedication to public service. Yet, due to inadequate revenue growth, we are unable to maintain the needed expenditures to preserve both level of service to the community and employee compensation that keeps pace with market and cost of living increases.

Our employees remain committed to serving the public. They deserve our gratitude, praise and commitment to organizational and fiscal decisions that will correct the current revenue/expenditure imbalance in future years. In FY 2004 a major focus is placed on the development of adequate revenue growth to meet growing expenditure needs.

The outlook is promising. The City Council has directed priorities toward economic development and fiscal health. Investment in City initiatives will create new private sector investment opportunities. New sales and property tax base will be created, along with jobs for a growing workforce. With decisions that deliver those economic development initiatives, our citizens will be beneficiaries of a stronger tax supported public sector, which will be better able to provide desired services.

FY 2002-2003: Success Setting the Stage for More Successes

City Management and staff are proud to have worked closely with the City Council to meet its goals. Some achievements of the FY 2002-2003 are highlighted below:

- > Establishing clear direction for meeting current fiscal challenges by developing revenues and reducing selected expenditures;
- > Increasing City efforts to gain Federal Assistance for community needs - Rio de Flag, transit capital funding, forest health and fuel management, and economic development; Adoption of water policies for conservation, development, and acquisition of water;

- > Entering into a Memorandum of Agreement with developers for renovation and expansion of a major commercial center on the east side of the community;
- > Award of Contracts for affordable housing developments on two land tracts owned by the City;
- > Completion and dedication of Foxglenn Park;
- > Completion, dedication and occupancy of the new USGS building;
- > A development agreement with Nestle Purina, providing tax incentives for a major plant expansion and thus securing and increasing the substantial employment base provided by Nestle Purina;
- Opening the East Side Branch Library on 4th Street;
- > Partnering with other members of the Alliance for a Second Century in a unified legislative priorities statement;
- > Continued airport improvements to develop adequate facilities to provide regional jet service:
- > Adoption of the McMillan Mesa major plan amendment to the Regional Plan;
- > Completion of the initial phase for Conference Center development, receiving six outstanding replies to the City's request for proposals;
- > Completion of major improvements to the City water treatment facilities.

City Council Goals Guide the Budget

The City Council has maintained the direction established almost two years ago when ten broad goals were adopted as a policy basis for the City's annual budget and work program. The goals respond to citizen needs and desires by merging city services into a cohesive plan of action. The Council discussed the original goals extensively and reached the conclusion that they continue to state Council priorities, although priority objectives may have changed somewhat.

The ten goals are restated below with a discussion of FY 04 priority initiatives:

Economic Development

Maintain and strengthen Flagstaff as a regional center for retail, employment and hospitality, while enhancing the quality of life for our residents through job creation and technology.

- > Continue implementation of several economic initiatives, which have been underway for one or more years:
 - The Rio de Flag Project gained a federal construction appropriation in FY 2003 of \$1,000,000 and in FY 2004 of between \$2,000,000 and \$3,000,000 (pending). The City continues to budget for its share of this local/federal project appropriating \$5,052,738 in FY 04. The City will spend a total of \$11,107,000 for the project. Design will continue and the first phase of construction will commence this calendar year. The likely investment in the southside, following completion of the Rio de Flag project in 2006 or 2007, necessitates completion of a neighborhood plan in that area. The planning process will begin in 2004.
 - The East Flagstaff Gateway Project will move ahead, pending a successful rezoning application.
 Infrastructure construction will commence late in the fiscal year with some building construction following closely.
 - The City will design Empire with construction startup in spring of 2004. The City Council budget for the project totals \$2,600,107.
 - The Conference Center Project review and award will be completed during the first quarter of 2004, with development agreement negotiations to follow. The Planning and design phases of the

project will prepare it for immediate site preparation and construction upon relocation of Babbitt Ford to the Auto Mall in 2005/06.

- The City will issue an RFP for the Downtown Gateway West Project, likely late in the fiscal year.
- > City staff will work closely with GFEC staff to integrate findings and recommendations of the Telecommunications Study with the Regional Plan.
- > West Side Annexation will require serious attention this year, although timing does not currently appear to be a critical concern.
- > Airport Expansion Projects will continue with design of the runway extension.
- > USGS Campus Development Plans will be completed and details of the next building phase will be determined in consultation with USGS.
- > The Convention and Visitors' Bureau work program will include efforts to strengthen the tourism sector of the economy, including: enhanced marketing and public relations; engagement of industry; and renovation of Visitor Center.

Fiscal Health

Maintain written policies to provide for a balanced budget that meets a vast array of community needs, to ensure that resources are available to meet future needs and allow for community infrastructure to be maintained at adequate levels and other sound financial practices that maintain fiscal health of the organization.

- > Staff will continue to examine revenue sources and evaluate several revenue generating ideas discussed by Council and staff, but not included in revenue estimates in the FY 2004 budget. These will include: fees for private development review; commercial fire safety inspection and re-inspection fee; an increased annual business license fee; a building permit fee increase adjusting the per square foot valuation calculation; a City use tax that would remit to the City a tax on purchases made in jurisdictions where a municipal sales tax is not imposed; an annual liquor license fee; and an increased cable franchise fee.
- > In order to correct a projected revenue/expenditure imbalance in outlying years, a process to reduce overall employment by twenty to thirty positions over a two-year period will be conducted. New positions authorized for 2004 will be filled through a process of transferring the position authorization from elsewhere in the organization.
- > Opportunities for service enhancements and efficiencies through intergovernmental consolidation will be studied.

Public Safety

To promote and maintain a safe community through integrated public safety systems that addresses the underlying issues affecting public safety, health and quality of life.

- > Police force strength will be maintained at the authorized levels by filling the three positions left vacant last fiscal year.
- > An active fuel management program to reduce both fuel densities and bark beetle infested trees will be continued.
- > The Police and Fire Departments will continue to work closely to improve emergency dispatch services, and to maintain response preparedness in the event of homeland security threats or actual incidents. A primary goal is to upgrade the hazmat response vehicle.

Housing

To ensure that a variety of housing opportunities are available to a diverse population, especially those requiring entry level housing.

- > Development agreements will be completed for private sector affordable/market projects on two City tracts pursuant to proposals already awarded. The Community Development Department will manage the design and development review process to expedite construction. Upon completion of the Rio Homes project, approximately 174 new housing units will be placed on the market including 33 scattered affordable dwellings. The second project has applied for an award of tax credits from the Arizona Department of Housing. If approved, the proposed project will provide an additional 64 family and 70 senior affordable rental units.
- > A contract for the construction of the infill redevelopment project in an Eastside mixed income neighborhood will be awarded, supplying 16 affordable homes.
- > The Housing staff will determine the feasibility of establishing a community land trust for holding properties to facilitate affordable housing development.
- > A closer working relationship with the Flagstaff Housing Authority will be developed as one way of coordinating housing providers toward a more effective affordable housing strategy.

Capital Improvements

Plan, program, design and construct public works and facilities capital improvements through a structured, efficient and transparent process ensuring scarce public resource expenditure for the greatest benefit to the community; creating a built environment shaped through citizen involvement, reflecting community pride.

- > The Capital Division will maintain the streets and multi-modal construction program including: Fourth Street Phase I, Soliere, Country Club, Sunnyside, Safe to School, and FUTS projects.
- > The revised CIP planning, which increases public participation and gains Council adoption of the next fiscal year and five-year plan in December will be utilized.
- > Staff will coordinate a community process to determine the preferred components of a bond program for possible placement before voters in May 2004.

Customer Service

Instill a positive customer service culture throughout the organization and with each employee of the City in the delivery of service both externally and internally.

- > The City Manager and other organization leaders will state and re-state to City employees the value and necessity of good customer service practices.
- A new employee performance appraisal process, which emphasizes customer service, will be implemented starting July 1.
- > Programs to reward exceptional work place practices and customer service will continue
 - WOW (Wonderful Outstanding Worker) on the spot awards
 - City Manager's Excellence Awards

Planning for Growth

To shape growth, with the involvement of the community, in a manner that preserves and protects our region's natural environment, livability and sense of community.

An array of planning activities will be delivered specifically designed to implement the Regional Plan, including: Redevelopment planning and projects identified under the Economic Development Goal; continuation of FUTS project development and construction; southside planning; incremental reclamation and enhancement of City-owned and occupied open space in conjunction with planned FUTS project corridors; development of an IGA with Coconino County for administration of the Regional Plan; and Open Space Plan implementation including start-up of the newly established Open Space Commission.

Collaboration

Strengthen the community by strengthening partnerships with sovereign nations, public, non-profit and private agencies. Develop collaborative goals, though all levels of the organization, based upon common interests with these agencies to optimize the use of community resources and the delivery of services to the citizens of Flagstaff.

- > A process will be conducted with the Alliance partners for the discussion and determination of priorities in responding to a variety of community needs.
- > State and Federal agencies and elected representatives will be engaged proactively in pursuit of City interests, including, but not limited to, organizing a greater Council presence in the determination of local and statewide local government interests.
- > Opportunities for service consolidation will be studied with Alliance partners.
- > Community and regional policy statements and strategies will be discussed with partners to identify best practices for implementation of programs including: transportation, sustainable water resources, economic development, and state/federal funding.

Quality of Life

To enhance the quality of life of our community, we will assure comprehensive programs that allow for balanced resource development and protection, that include cultural components that cross generational boundaries and strive to create cost effective and proactive approaches to meet the social, physical and economic needs of our citizenry as we celebrate Flagstaff's heritage, diversity and vast aesthetic appeal.

- > A public process for determining both short and long-range plans for Thorpe Park will be completed.
- > The Open Space Commission will conduct a public process and input will be provided to the Bond Advisory Task Force, to gain public knowledge and support of open space acquisitions.
- > Water conservation policies adopted by the City Council will be implemented.
- > Added focus will be given to water capacity development, including developing local underground resources and the acquisition of water rights for which conveyance to Flagstaff may be developed.

Organizational Support

To ensure the City of Flagstaff has the necessary organizational structure and staff who are trained to achieve the goals of the City, now and in the future. To develop and maintain compensation and benefits systems that allow the City as an employer to hire and retain a workforce that is recognizable by the Council and public as committed public servants.

- > A workforce reduction and development process will be implemented with the goal of reducing total employment by ten to fifteen positions through attrition and transfers, and providing training and career development for those people engaged in the process.
- A public process will be conducted with the advice and assistance of the Bond Advisory Task Force, to gain public knowledge and consideration of needed capital improvements relative to service provision, including fire station relocations, court facilities, parks and recreation projects and public works facilities.
- > Employer obligations toward employees must be addressed. City employees cannot be expected to accept indefinite abeyance of compensation adjustments. As discussed under fiscal health, we need to develop adequate revenues to support City services and the employees who provide them. Further line item reductions of any significance will be difficult to achieve without impairing services. It is a FY 2004 goal to position the City fiscally for FY 2005 to meet the needs of employees and the community.

Acknowledgements

It is much easier to develop a budget and work program for the City when clear direction is given. I want to thank the City Council for its leadership and clear direction. Moreover, the Council has maintained critical direction in economic development and fiscal health for multiple years. The long-range vision and commitment to action is greatly appreciated.

Sincere thanks cannot be stated enough to our employees in every area of responsibility in the organization. They provide superb service to our citizens. They have been team players throughout these difficult budget times. Special thanks go to members of the Employee Advisory Committee.

Our Finance and Budget teams under the direction of Mary Jo Jenkins and Barbara Goodrich have done, as always, an excellent job. Thanks to them all.

Respectfully submitted,

DAVID W. WILCOX City Manager

City of Flagstaff Mission Statement

The mission of the City of Flagstaff is to enhance the quality of life to its citizens while supporting the values of its community.

Our Values Are:

ACCOUNTABILITY

We are accountable to the community and each other

RESPONSIVENESS

We value addressing our customer's concerns

QUALITY

We provide high-quality customer service

PROFESSIONALISM

We are honest, responsible, fair, highly-trained, and cost conscious

TEAMWORK

We are a team in partnership with citizens, other agencies, and each other for a better Flagstaff

PROBLEM SOLVING

We solve problems creatively, open-mindedly, and professionally

"Service at a Higher Elevation"



Budget Highlights 2003 – 2004

Accountability – Ensure ongoing budget sustainability through effective management of current resources and the development of future economic opportunities.

Responsiveness – Complete the design and start the implementation of a traffic signal synchronization system.

Quality – Continue to implement radio read water meters to minimize estimates and increase efficiency and accuracy of water bills.

Professionalism – Implement a workforce development program for staff as identified and related to internal program reductions with the goal of having no layoffs, while reducing overall staffing.

Teamwork – Work with Flagstaff Medical Center, the Flagstaff Community Foundation, and Literacy Volunteers of Coconino County on a new literacy program.

Problem Solving – Create a Community Land Trust structured as a private non-profit organization for the purpose of building affordable homes preserving public investment in land.

Accomplishments 2002 - 2003

Accountability – Evaluated budgets on a programmatic level to determine the continued viability of City services in light of State revenue losses.

Responsiveness – Conducted public meetings for major capital projects to engage the public and establish positive working relationships.

Quality – Received approval to implement a Stormwater Utility to meet Federal requirements within the City.

Professionalism – Government Finance Officers Association presented the City the Distinguished Budget Presentation (ninth consecutive) and Excellence in Financial Reporting (tenth consecutive) Awards.

Teamwork – Monitored success in Council set goals through the evaluation of cross-departmental achievement in meeting the respective objectives.

Problem Solving – Formulated the Bond Advisory Task Force to evaluate long-term capital needs for the City by using extensive Community Outreach.